

Mail returns with payments to Kentucky Revenue Cabinet, Frankfort, KY 40619-0008.

# INSTRUCTIONS—FORM 740-S

**Who May Use Form 740-S**—Form 740-S may be used by full-year Kentucky residents:

- ✓ with income primarily from wages, salaries, tips, unemployment compensation, taxable scholarship or fellowship grants, interest and dividends;
- ✓ who do not itemize deductions; and
- ✓ who do not have federal/Kentucky income differences.

You must file Form 740 if you have income from business, farming, rental property, capital gains or losses, retirement sources; claim the child and dependent care credit; or itemize deductions.

**When and Where to File**—The 1998 Form 740-S must be postmarked no later than April 15, 1999, to avoid penalties and interest.

Mail to:

**Refund/Other Returns**  
Kentucky Revenue Cabinet  
Frankfort, KY 40618-0006

**Pay Returns**  
Kentucky Revenue Cabinet  
Frankfort, KY 40619-0008

APRIL 1999						
S	M	T	W	T	F	S
	4	5	6	7	1	2
11	12	13	14	15	9	10
18	19	20	21		6	17
25	26	27	28	29	3	24
				30		

**COMPLETING FORM 740-S**—For more information, see the General Instructions.

**Please use the Address Labels**—These labels contain your Social Security number printed in bar-code format which can be read by the Revenue Cabinet's equipment.

**Political Party Fund Designation**—You may designate \$2 of your taxes to either the Democratic or Republican party if you have a tax liability of at least \$2 (\$4 for married persons filing joint returns).

**Filing Status**—Legal liabilities are affected by the choice of filing methods. Married taxpayers may elect Filing Status 2 or 4, even if you filed a joint return for federal tax purposes.

**Tax Credits**—You are always allowed to claim a tax credit for yourself (even if your parent(s) can claim a credit for you on their return).

## FORM 740-S LINE-BY-LINE INSTRUCTIONS

**Line 10, Adjusted Gross Income**—Enter the total amount of your federal adjusted gross income from your federal income tax return in Column B if Filing Status 1, 3 or 4 is used. Use Column A only when entering your spouse's income on a combined return (Filing Status 2). When using Filing Status 2, Columns A and B, Line 10, must equal your federal adjusted gross income. Each spouse must claim his or her own income and deductions. (Do not confuse federal adjusted gross income with federal taxable income shown on the federal return.)

**Line 11, Standard Deduction**—You are allowed a standard deduction of \$1,200. (If filing a joint return, only \$1,200 in Column B is allowed.)

**Lines 13 and 14**—Compute your tax using the following tax rate schedule.

If taxable income is:	Tax before credit is:
\$ 0 — \$2,999 .....	2% of taxable income
\$3,000 — \$3,999 .....	3% of taxable income minus \$30
\$4,000 — \$4,999 .....	4% of taxable income minus \$70
\$5,000 — \$7,999 .....	5% of taxable income minus \$120
\$8,000 and up .....	6% of taxable income minus \$200

Deduct \$20 for each tax credit claimed from the amount computed above. Each spouse must claim all of his or her own credits. Therefore, each spouse must claim at least one credit. Credits for dependents may be divided between the spouses, or one spouse may claim all the credits for dependents and the other none. This is your tax liability. Your tax cannot be less than zero.

Example: (Taxable income) \$8,500 x 6% = \$200 =  
\$310 - \$20 (tax credit) = \$290

**Note:** An optional tax table is available for your convenience by calling the Revenue Cabinet, (502) 564-4581.

**Line 15, Low Income Tax Credit**—A low income tax credit is allowed to single persons and married couples whose combined Kentucky adjusted gross income, Line 10, is not over \$25,000. Complete the following worksheet to determine your low income tax credit.

**Caution: Married couples who file separate returns or separately on a combined return**—If you are married and living with your spouse, you must add your and your spouse's Kentucky adjusted gross income together to find the correct low income tax credit percentage. If the total is greater than \$25,000, you do not qualify for this credit.

If the amount on line c below is:		Enter decimal amount on line e
over	but not over	
---	\$ 5,000	1.00 (100%)
\$ 5,000	\$10,000	.50 (50%)
\$10,000	\$15,000	.25 (25%)
\$15,000	\$20,000	.15 (15%)
\$20,000	\$25,000	.05 (5%)

- a. Enter the amount from Column B, Line 10, but not less than zero. \_\_\_\_\_
- b. Enter the amount from Column A, Line 10, but not less than zero. \_\_\_\_\_  
(If you are using Filing Status 4, enter the amount from Column B, Line 10, of your spouse's separate return.) + \_\_\_\_\_
- c. Add Lines a and b. \_\_\_\_\_

If over \$25,000, you do not qualify for this tax credit. Do not complete the worksheet; skip Line 15.

### Computation of Low Income Tax Credit

- d. Enter tax amount from Line 14. \_\_\_\_\_
- e. Enter decimal amount from table above that applies to adjusted gross income on Line c. \_\_\_\_\_ x \_\_\_\_\_
- f. Multiply amount on Line d by decimal amount on Line e. Enter result on Line 15. This is your Low Income Tax Credit. \_\_\_\_\_

**Line 17, Tax on Out-of-State Purchases (Use Tax)**—If, during the year, you made any purchases out of state of tangible personal property for use in Kentucky on which sales tax was not charged, you must report Kentucky use tax on those purchases, pursuant to KRS 139.330. Multiply total purchase price by .06 and enter on Line 17.

**Line 19, Kentucky Tax Withheld**—Enter the amount of Kentucky income tax withheld as shown on your 1998 wage and tax statements. These statements must be attached to your return. Make sure you file the copy designated to be filed with your state return. Do not include amounts withheld by your employer for other states, city or local government occupational, license or income taxes on Line 19. File a return with the other state to claim credit for the other state's tax withholding.

**Line 20**—If the amount on Line 19 (Kentucky Tax Withheld) is more than the amount on Line 18 (Total Tax Liability), you have an overpayment and are due a refund. Subtract Line 18 from Line 19, and enter the difference on Line 20 as an overpayment. If your Total Tax Liability on Line 18 is larger than Line 19, see instructions for Line 24.

**Line 21**—If you show an overpayment on Line 20, you may contribute to any or all of the funds listed.

Enter the amount(s) you wish to contribute on Lines 21(a), 21(b), 21(c) and/or 21(d). The total of these amounts cannot exceed the amount of the overpayment.

**Line 22**—Add amounts on Lines 21(a), 21(b), 21(c) and 21(d).

**Line 23**—Subtract the amount of donations, if any, on Line 22 from the amount of the overpayment on Line 20. Enter the difference on Line 23. This is the amount of your refund. If all of the overpayment is donated, enter zero on Line 23.

**Line 24, Additional Tax Due**—Subtract Line 19 from Line 18 and enter the difference on Line 24. This is your additional tax due before penalties and interest.

**Line 25(a), Underpayment of Estimated Tax Penalty**—If the amount owed is more than 30 percent of the income tax liability on Line 16, you may be subject to an underpayment of estimated tax penalty. The amount of the penalty may be calculated on Form 2210-K. If at least \$500 of additional tax is due, you may be required to make estimated tax payments during 1999.

**Line 25(b), (c) and (d), Interest and Penalties**—File your return and pay any additional tax due by April 15, 1999, to avoid interest and penalties. See the General Instructions or contact the Revenue Cabinet for additional information.

**Note: Penalties but not interest may be reduced or waived if reasonable cause for reduction or waiver can be shown.**

**Line 26, Amount You Owe**—You must pay any tax due shown on Line 26. Make check payable to Kentucky State Treasurer, and attach it to your return. On the face of the check please write "KY Income Tax—1998" and your Social Security number(s).

**Signature**—Each return must be properly signed by the taxpayer. Joint and combined returns must be signed by both husband and wife.